



City of Ann Arbor

301 E. Huron St.
Ann Arbor, MI 48104
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Legislation Text

File #: 13-1384, Version: 1

Resolution to Approve a Six Month Extension of the Existing Installment Purchase Agreement with Bank of Ann Arbor to Finance the Purchase of 350 S. Fifth Avenue (\$3,500,000.00) **(8 Votes Required) (Roll Call Vote Required)**

The resolution before you is to approve the extension of an existing installment purchase agreement (IPA) for \$3,500,000. The City entered into an IPA with Bank of Ann Arbor in 2003 to fund the acquisition of the property at 350 S. Fifth Avenue, the former YMCA site. The IPA was extended for a five year period on December 16, 2008. The extension matures on December 16, 2013. This resolution approves a six month extension to the existing IPA, at the same interest rate, with no prepayment penalty.

An installment purchase agreement is similar to a commercial loan. Michigan Public Act 99 of 1933 grants authority to municipalities to enter into such agreements. The City of Ann Arbor has used this financing vehicle in the past to finance the purchase of a fire truck, various pieces of rolling stock, and the YMCA property. The benefits of using an installment purchase agreement, instead of a traditional general obligation bond, are lower issuance cost, faster funding process, decreased documentation requirements, and a generally competitive interest rate.

In addition, the resolution provides for the increase of the FY2014 General Debt Service Fund expenditure budget by \$3,500,000 in order to pay off the principal of the loan at such time as the real property is sold.

Passage of this Resolution is recommended.

Prepared by: Matthew V. Horning, Treasurer

Reviewed by: Tom Crawford, Financial & Administrative Services Area Administrator

Approved by: Steven D. Powers, City Administrator

CITY OF ANN ARBOR
COUNTY OF WASHTENAW
STATE OF MICHIGAN
RESOLUTION AUTHORIZING EXTENSION OF
INSTALLMENT PURCHASE AGREEMENT
(ANN ARBOR YMCA BUILDING ACQUISITION PROJECT)

At a regular meeting of the City Council of the City of Ann Arbor, Michigan (the "City"), Washtenaw County, Michigan, held in the City Hall, on Monday, December 2, 2013, at 7:30 p.m., Michigan time, there were

Present: Councilmembers Kailasapathy, Briere, Petersen, Lumm, Taylor, Kunselman, Eaton, Warpehoski, Anglin and Mayor Hieftje, 10;

Absent: Councilmember Teall, 1.

The following preamble and resolution were offered by Councilmember Lumm and seconded by

Councilmember Kunselman:

RECITALS

Whereas, the City of Ann Arbor, Michigan (the "City") is authorized, pursuant to Act No. 99 of the Michigan Public Acts of 1933, as amended ("Act 99"), to enter into contracts for the purchase of lands, property or equipment for public purposes, to be paid for in installments over a period of not to exceed 15 years or the useful life of the property acquired, whichever is less; and,

Whereas, the City entered into an Installment Purchase Agreement dated December 16, 2003, as amended on December 16, 2008 to extend the maturity date to December 16, 2013, (the "Agreement"), pursuant to Act 99, to acquire from the Ann Arbor YMCA, a Michigan nonprofit corporation (the "Seller"), a parcel of real property within the City, located at 350 South Fifth Avenue, and all buildings and other improvements thereon (the "Project"), at a purchase price of \$3,500,000.00; and,

Whereas, the Bank of Ann Arbor (the "Bank") financed the purchase price of the Project by acquiring the rights of the Seller under the Agreement and by receiving an assignment of the Seller's rights in the Agreement; and,

Whereas, the Agreement currently bears interest payable quarterly at the tax-exempt rate of 3.89% per annum, with the original principal balance of \$3,500,000.00 still outstanding; and,

Whereas, it is in the best interest of the City to extend the maturity date of the Agreement by six months; and,

Whereas, the proposal of the Bank to extend the maturity date of the Agreement by six months, at the same interest rate as currently provided, will result in the lowest total cost to the City.

RESOLUTIONS

NOW, THEREFORE, BE IT RESOLVED as follows:

1. The proposal of the Bank of Ann Arbor to extend the maturity date of the Agreement by six months at the Agreement's current interest rate (the "Extension") is hereby approved.
2. The Mayor and the City Clerk are hereby authorized and directed to execute, acknowledge and deliver an amendment to the Agreement providing for the Extension, after approval of such amendment as to form by the City Attorney.
3. The Project has a useful life extending beyond fifteen (15) years from the date of the Agreement, and the aggregate principal amount of the Agreement and of all outstanding installment purchase obligations of the City under Act 99 does not exceed 1.25% of the equalized assessed value of the real and personal property in the City.
4. The City hereby agrees to include in its budget for each fiscal year during the term of the Agreement an amount sufficient to pay when due the principal of and interest coming due under the Agreement during such fiscal year. In addition, the City hereby pledges to levy in each fiscal year ad valorem taxes on all taxable property in the City in an amount which, together with other funds available for such purpose, shall be sufficient for the payments required under the Agreement in such fiscal year, provided that any such tax levy is subject to

existing charter, statutory and constitutional tax limitations.

5. The City covenants that, to the extent permitted by law, it shall take all actions within its control necessary to maintain the exclusion of the interest component of the payments due under the Agreement from the adjusted gross income of the recipient for federal income tax purposes under the Internal Revenue Code of 1986, as amended.
6. The Mayor, the City Clerk, the City Treasurer, the Chief Financial Officer and the City Administrator, severally, are authorized to act on behalf of the City in executing and delivering all agreements, documents, certificates, financing statements and other documents as may be necessary to consummate the transactions contemplated by this Resolution, and to pay costs incidental to the Extension, including bond counsel fees and other incidental transaction costs.
7. The obligation of the City to make the payments required under the Agreement is a full faith and credit general obligation of the City, subject to applicable constitutional, statutory and charter limitations.
8. This Resolution shall be effective immediately upon its adoption.
9. All resolutions and parts of resolutions, insofar as they conflict with the provisions of this resolution, are hereby rescinded.

BE IT FURTHER RESOLVED as follows:

10. The City FY2014 General Fund expenditure budget be increased by \$4,000,000 in order to makes the following transfers: to the Affordable Housing Fund (\$293,992.50) for interest paid, to the DDA (approximately \$125,000) for interest paid net of parking revenues, and to the General Debt Service Fund (\$3,500,000) to pay off the principal of the Agreement; with the source of funding being the proceeds from the sale of the real property.
11. The City FY2014 General Debt Service Fund expenditure budget be increased by \$3,500,000 in order to pay off the principal of the Agreement at the time of sale of the real property or no later than thirty (30) days thereafter, with the source of funding being the transfer from the General Fund.

A roll call vote on the foregoing resolution was taken, the result of which is as follows:

YES: Councilmembers Kailasapathy, Briere, Petersen, Lumm, Taylor, Kunselman, Eaton, Warpehoski, Anglin and Mayor Hieftje, 10;

NO: (0);

ABSTAIN: (0).

THE RESOLUTION WAS THEREUPON DECLARED ADOPTED.

CERTIFICATION

I, the undersigned, the duly qualified and acting City Clerk of the City of Ann Arbor, Washtenaw County, Michigan, do hereby certify that the foregoing is a true and complete copy of a resolution adopted by the City Council at a regular meeting held on December 2, 2013, the original of which is on file in my office, and that such meeting was conducted and public notice thereof was given pursuant to and in compliance with Act No. 267, Michigan Public Acts of 1976, as amended, and that minutes of such meeting were kept and are available as required by such Act.

Jacqueline Beaudry, City Clerk

Dated: December __, 2013